

VZCZCXYZ0011
PP RUEHWEB

DE RUEHMO #1106 0731533
ZNR UUUUU ZZH
P 141533Z MAR 07
FM AMEMBASSY MOSCOW
TO RUEHC/SECSTATE WASHDC PRIORITY 8260
INFO RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY

UNCLAS MOSCOW 001106

SIPDIS

SIPDIS
SENSITIVE

STATE FOR EUR/RUS
TREASURY FOR BAKER/GAERTNER
NSC FOR TRACY MCKIBBEN
USDOC FOR 4231/IEP/EUR/JBROUGHER

E.O. 12958: N/A
TAGS: [EFIN](#) [ECON](#) [RS](#)
SUBJECT: RUSSIAN STOCKS DOWN AFTER U.S., ASIAN MARKETS SLIP

REF: MOSCOW 841

¶1. (U) This message is sensitive but unclassified and not for Internet distribution.

¶2. (SBU) U.S. economic reports that sent the NYSE and NASDAQ tumbling on March 13 had a similar effect on the March 14 trading session in Russia. The opening of the March 14 trading session saw the benchmark, dollar-denominated RTS Index 2.5 percent lower, and the broader, ruble-denominated MICEX Index was 4.4 percent lower; as of 6:20pm Moscow time, the indices were down 2.29 percent and 2.92 percent, respectively. Alfa Bank Chief Economist Natalia Orlova suggested that the lackluster figures have made relatively nervous investors more jittery about the short-term prospects that the U.S. "economic engine" can continue to support other economies.

¶3. (SBU) Troika Dialog Chief Economist Evgeny Gavrilentkov observed that lower crude oil prices have also added to short-term worries. He said the drop in the indices reflects concern about the percentage of market capitalization that is dependent on oil. Gavrilentkov noted that losses during March 14 trading would probably still be in line with his and other analysts' expectations for the post-Shanghai correction. He observed that both RTS and MICEX had been trending gradually upward in the last week.

Comment

¶4. (SBU) The main Russian indices remain within the consensus estimates for this correction. Most analysts forecast that losses could extend until mid-April and that RTS and MICEX could lose 20 percent off their February 27 "peaks." If our contacts have characterized the current Russian investor sentiment accurately, we would expect stock prices to track closely with upcoming key economic data releases in the U.S., Europe and Asia.
BURNS